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STAMPEDE OILS INC.

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Edmonton, Alberta T6G 2R6



1998 ANNUAL REPORT

Corporate Information

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M.J.S. Hunt - Treasurer
P.A. de Bruycker - Secretary

Directors:

R.E. Cochrane
P.A. de Bruycker
R.B. Furukawa*
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J.W. McLeod*

*Audit Committee

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Transfer Agent & Registrar:

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Stock Exchange & Trading Symbol:

The Alberta Stock Exchange - STF

Annual General Meeting

The Annual General Meeting of the Shareholders of Stampede Oil Inc. is to be held at 10:30 a.m. on Friday, July 30, 1999, in the Bonavista Room of the Westin Hotel, 320 - 4th Avenue S.W., Calgary, Alberta.

COVER:

Actual cable tool drilling rig (height 90 ft.), recently constructed by Dennis J. Teskey one mile north of Turner Valley, Alberta. This type of rig was used in drilling most of the Turner Valley field during the 1920's and 1930's.

Report to the Shareholders

The past year, 1998, had been one of great expectations related to the Company's Turner Valley project but at the same time it contributed to a very unique experience in corporate frustration. During the past year, the following information has been treated by the Farmor group (Stampede Oils Inc. et al) on a low profile basis, as much as possible, with the hopes that in doing so, approval for the drilling license of the **Stampede et al TV 11-15-21-3 W5M** offset location to the **IMP Berkley Turner Valley 2-21-21-3 W5M** Turner Valley gas discovery well might be acquired without related delay complications. However, unfortunately, this has not been the case. The following information was then made available to the Company's shareholders by way of a Shareholder letter dated April 20, 1999.

After approximately 4.5 months of attempting to address and alleviate purported objections by an apparently well orchestrated block of area residents, Stampede, the operator for the Farmor group for the Turner Valley project, was finally in a position to submit to the Alberta Energy and Utilities Board (EUB) an application for the 11-15 drilling license on October 23, 1998. Subsequently, the EUB set a public hearing date of April 13, 1999, to process the application. However, at the request of one of the objectors, a Mr. R. Cones, President of Rio Alto Exploration Ltd., as he apparently was to be out of the country on April 13, 1999, the EUB deferred the hearing for the Stampede et al TV 11-15-21-3 W5M well to June 1, 1999, approximately **eleven months** from the date when the related area resident information package was distributed. The hearing date is now July 6, 1999.

The Company therefore decided in early April, that as efforts to prevent delays in obtaining the necessary drilling license for the 11-15 offset well to the Imperial discovery well unfortunately were not successful, and as the related events are extremely unique, corporately, it was in the BEST INTERESTS of all Stampede shareholders that they be made aware of certain pertinent Turner Valley exploration/development facts by way of the following GENERAL OVERVIEW:

- Imperial Oil Resources (**Farmee/operator**) farmed in to the Company's Petroleum and Natural Gas (P&NG) lease block in December, 1996.
- By early January, 1998, the drilling of the IMP Berkley Turner Valley 2-21-21-3 W5M test well had missed Imperial's intended primary Turner Valley overthrust gas target zone. Subsequently, on January 23, 1998, the underlying Regional Turner Valley formation anticlinal structure was drilled into, which at this location has a 50 foot gas cap overlying an indicated oil leg of approximately 50 feet.
- Despite Imperial's insistence that the entire Turner Valley reservoir in the 2-21 well is gas, it has been made aware that the Farmor group (Stampede et al) was and still is determined to conduct an adequate test of the indicated oil zone. To allow the gas cap to be produced independent of the indicated oil leg could result in the loss of a potential **3,000,000 barrels of recoverable oil reserves (39.6° gravity)** per section, according to an in-house Company determination. Available data indicates that an oil well completed in the Turner Valley Regional formation in this area may be capable of producing anywhere from 1,000 to 2,000 barrels of oil per day (BOPD). A net oil price as low as \$10.00 (Cdn.) per barrel will provide for a return on investment in approximately ten months for a well producing at 1,000 barrels per day.
- Prior to the operator conducting its production test program on the 2-21 well, the governing Farmout Agreement provides that it must deliver a copy of the proposed program to the Farmor and **it must be to the reasonable satisfaction of the Farmor, however, should the Farmor be in disagreement with part of or all of the proposed test program**, it must advise the operator of such disagreement **within 24 hours** of having had the program delivered to it. Should the Farmor fail to make such advisement in the prescribed 24 hours, it will be **deemed to be in agreement** with the program.

- After a full week in which the Farmor was attempting to have the operator agree to conduct an adequate test on the lower **indicated oil zone**, the planned test program for the 2-21 well **was delivered** to the Farmor by **fax transmission** on **Friday**, February 6, 1998, at **4:47 p.m., after Stampede's (the Farmor's) office had closed!** As Stampede had not been advised that the program was going to be delivered, it was only by chance that a Stampede representative happened to return to the office at approximately 6:30 p.m. and discovered the faxed test program, which was prefaced "...**THIS PROGRAM IS FOR A SOUR GAS NEW WELL COMPLETION.**".
- The next day the Farmor group hand delivered a response letter, setting out its disagreements related to the proposed testing program, to the operator's engineer at the 2-21 well site at 2:00 p.m. The operator's engineer advised that he had just been informed by telephone from the Calgary office, not to accept anything from a Stampede representative. However, this did not prevent the leaving of the Farmor letter in the engineering trailer, which qualified it as having been delivered! The operator did finally acknowledge receipt of this letter at approximately 4:00 p.m., Saturday, February 7th by way of a message left on the Company's answering machine.
- Rather than having to be in a position of ongoing confrontation with the operator, the Farmor group reluctantly agreed to the subsequent revised production test program in an effort to expedite having the 2-21 well put into production and with the expectancy of being able to commence the drilling of the offset Stampede et al TV 11-15-21-3 W5M location in late 1998. During this offset operation, the Farmor group intend to test the indicated lower oil zone in the Turner Valley formation to confirm this interpretation. In the event that such testing establishes that the entire Turner Valley formation in the 2-21 well is gas bearing, then the worst case scenario is that Bearcat and its partners have a significant interest in an indicated new major gas pool that could hold in excess of 2.5 trillion cubic feet (TCF) of potential recoverable gas reserves.
- Results from a preliminary five-day flow test in March, 1998 were very positive. Contrary to good oilfield practice the operator shut the well in for a pressure build-up test for **74 days**, though it was definitely indicated that a two-week period would be adequate and that 30 days should be a maximum period. The Farmor's engineering consultants have determined that "...**after 75 hours or slightly over three days of shut in the pressure had returned to 26046.94 kpa or 99.67% of the original pressure...**" and "...**It would appear that all information which would be of any use in reservoir analysis could have been obtained in at the most ten days of shut in...**"! The only thing accomplished by the excessively long shut-in period was a negative misconception conveyed to investors of the Farmor group of companies, as was expressed by the following quote from the internet that "...**the well must not be very good if it takes that long for the pressure to build up**"!
- The indicated oil section in the 2-21 well was subjected to oil/mud emulsion blockage as for 10 days during the open hole phase it was exposed to a very significant hydrostatic overbalance in the mud system compared to the reservoir pressure. At the end of a short clean-up operation prior to the above-mentioned five-day flow period, a production flow log demonstrated that there was some probable minor oil entry into the well bore at the end of this clean-up test.

Analysis of two samples taken on March 5th during the clean-up flow period, prior to the five-day flow test, confirmed that the liquid recovery along with the gas flow at that time was condensate as it was 59.4° and 58.11° gravity respectively. However, an analysis of recovery liquid sampled on March 13th, day three of the five-day test, exhibited 49.2° gravity. This equates to an approximate 50/50 mix of 58° condensate and 39.6° API gravity oil. As the gravity of the recovered liquids was becoming more dense, the Farmor group was very interested to see the analysis for the fluid recovered on day five, the last day of the flow period with the expectancy of there being a much higher percentage of oil present. However, it was informed by the operator that there were not any more fluid samples taken!

- In September the operator (Imperial) delivered a copy of the final completion program to the Farmor group and again **in order to expedite the commencement of production from the 2-21 well**, the Farmor agreed reluctantly to the program, though it appeared to be seriously flawed. The operator plugged back the well bore to a point approximately four feet above the top of the indicated oil zone, a procedure that would ensure that the clean-up acid squeeze process would have little to probably no effect on this zone by ensuring a concentration of the acid squeeze into the Turner Valley upper gas cap zone only. The operator's rationalization for this plug off procedure was not factual!
- The final production flow test after a brief clean-up was for a five-day period from September 5th to September 10, 1998. The well was flowed at a stabilized 2 mmcf per day, a rate which is not adequate to clean out efficiently the near well bore reservoir area at a depth of approximately 10,000 feet. Though the operator had an existing permit to flare up to a total of 45 mmcf of gas through its overall test operation, the total volume flowed during both the March and September tests did not exceed 25 mmcf of gas.

A significant amount of spent acid water (load water) had still not been recovered in the clean-up stage but after four days of the final flow period this remaining load fluid began entering the well bore. Approximately 20% of this remaining load fluid was recovered by the end of the 5th day, demonstrating a greatly escalating recovery curve at the time when the operator shut the well in. Despite the availability of valid data to the contrary, and in spite of the day work fluid recovery tally which demonstrated otherwise, the operator was adamant that all load fluid had at this point been recovered.

The presence of load fluid in the near well bore area of a reservoir serves as blockage to the reservoir permeability, making an accurate determination of the ultimate production flowing capability of the well impossible until such time that this excess fluid is produced out of the reservoir.

- Subsequently, after the **premature** termination of the flow period the operator then decided that the test results had demonstrated that the well did not have production flow capability sufficient to warrant putting it on production until a second well was drilled! As the Farmor had been advised that the 2-21 well was to be put into production by the end of 1998, and as they had cooperated in every manner possible with the operator to expedite the well being put into production at the very earliest possible time, and as it was now evident that the completion operation was not being conducted in accordance with good oil field practice, the Farmor had no choice but to serve the Farmee/operator with a **Notice of Default**.

The governing Farmout Agreement provides that the Farmee must conduct operations “**...in accordance with good oilfield practice...**” and that operations **must be conducted to the reasonable satisfaction of the Farmor**. The preceding examples of Imperial being in breach of these aforementioned covenants are only some of the more blatant ones.

As most shareholders will be aware from a prior shareholder letter, a Notice of Default was served on the Farmee/operator on December 14, 1998. The governing Farmout Agreement provides that the Farmee has 30 days from the receipt of a Notice of Default by which to commence the remedying of such defaults. To date the basic response by the Farmee/operator has been one of stonewalling and denial.

This “**might is right**” response was not unexpected considering the size of the corporate entities involved in this matter. Four very small Canadian exploration companies versus Imperial Oil Resources, the ultimate parent company of which is **Exxon**, the largest oil and gas exploration company in the world. The fact that Imperial receives, apparently, basic exploration directives directly from the Houston, Texas, Exxon office, may also be somewhat of a contributing factor to this situation.

On April 9, 1999, documentation was delivered to the operator by which to effect a transfer of operatorship of the IMP Berkley Turner Valley 2-21-21-3 W5M well to Stampede Oils Inc., the operator of the Farmor group companies, along with advisement that the Farmee/operator (Imperial) has forfeited its right to earn an interest from the Farmor group in the 2-21 well and spacing unit and in the balance of all related farmout lands. The Farmee subsequently refuted this position. The Farmor group looks forward to a future opportunity, should it ultimately be necessary, to demonstrate in any venue, the blatant ongoing disregard that the operator has demonstrated for the provisions of the related governing Farmout Agreement, and is more than able to document all of the foregoing events as well as many more supportive examples.

Hopefully the **preceding general overview** dissertation will clarify shareholder concerns regarding delays related to the 2-21 well. As of January 12, 1999, Stampede's interest in the 2-21 well and spacing unit is 18.585%.

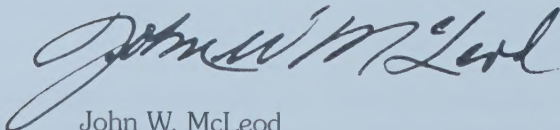
Stampede, and the rest of the Farmor group intend to pursue effecting the change of operatorship diligently and with extreme vigour.

With regard to the planned drilling of the 11-15-21-3 W5M offset well to the 2-21-21-3 W5M discovery well, in accordance with an April 27, 1999 directive from the EUB, Stampede was instructed to provide a **coordinated conceptual area development plan** related to its oil and gas activities in the north Turner Valley area, such plan incorporating the related intended exploration activities in this area, as conveyed by both Startech Energy Inc. and Berkley Petroleum Corp. At a meeting on May 18, 1999, all three companies were in accord related to the submission of the respective exploration interpretations in the Stampede coordinated conceptual area development plan which is incorporated in this report, and all other aspects of the required coordinated conceptual area development plan. The Company's area development plan was submitted to the EUB on Thursday, May 20th. Subsequently, the Stampede et al TV 11-15-21-3 W5M public hearing is now set for **July 6, 1999**.

The Company and its partners conducted two operations in the fall of last year in the Turner Valley area, the deepening of the Stampede Bcat et al TV 7-25-20-3 W5M and the final completion operation preparatory to having the Stampede Bcat et al Hartell 4-13-19-2 W5M well on production. Gas production from the 4-13 well and the 11-12 offset well will be transmitted by pipeline approximately 22 miles northeast or preferably, 14 miles northwest to the nearest sour gas plant. The deepening of the 7-25 well has demonstrated the possibility of major recoverable gas reserves extending approximately 10 miles towards the Red Deer Lake area to the north/northeast.

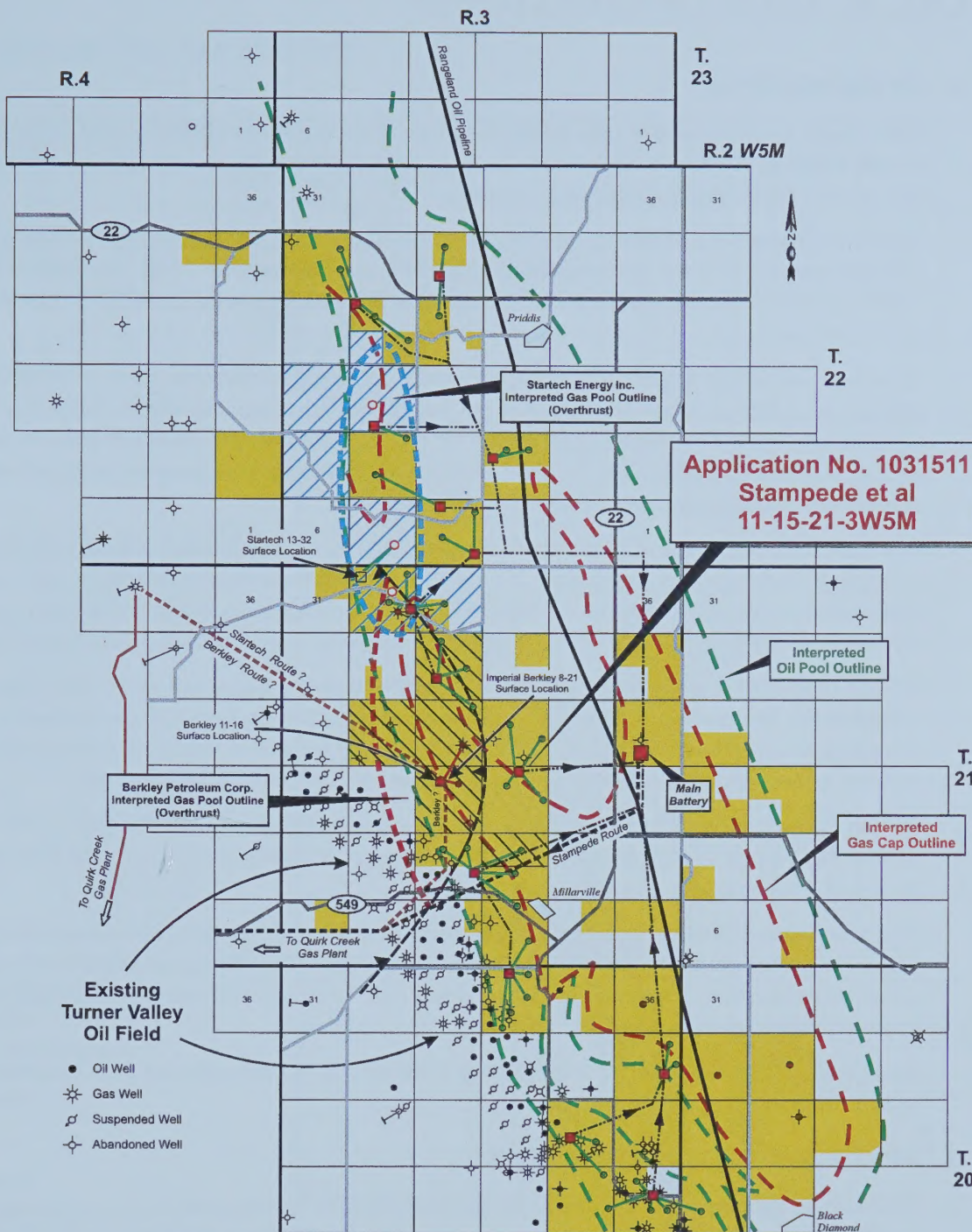
It is hoped that the above **general overview** dissertation, though devoid of excessive detail, together with other related segments of this report, **will clarify satisfactorily for the shareholders, the magnitude of what is at stake in the Turner Valley project**. The patience and ongoing support, both past and future, of all shareholders is greatly appreciated. You may rest assured that the Company will not allow "**might is right**" policy oriented entities to steam roll over the **rights** of Stampede shareholders.

On Behalf of the Board of Directors



John W. McLeod
President

June 15, 1999



LEGEND

- Satellite Battery (Not actual size) (Surface Drill Site)
- Directional Subsurface Well Bore Traverse to the Bottom Hole Location
- Potential Oil Well / Subsurface Location (Approx. depth 3 048m / 10,000 ft. ±)
- Location
- Potential Gas Well (Gas Cap)
- ◆ Gas Well
- Proposed Flowline (Oil & Solution Gas)
- Proposed Sour Gas Pipeline Route
- Proposed Sour Gas Pipeline Route
- Stampede Interest Acreage
- Startech Interest Acreage
- Berkley Interest Acreage (Subject to Earning Provision)
- Roads

STAMPEDE OILS INC.

MAP

TURNER VALLEY NORTH ALBERTA

COORDINATED CONCEPTUAL AREA DEVELOPMENT PLAN

- Stampede** - Mississippian Turner Valley Formation
Deep Regional Oil Pool Interpretation
- Startech** - Mississippian Turner Valley Formation
Overthrust Interpretation (Gas Pool Outline)
- Berkley** - Mississippian Turner Valley Formation
Overthrust Interpretation (Gas Pool Outline)

turner_valley

OIL & GAS OPERATIONS

A. ENVIRONMENTAL

With regard to the emphasis now being placed on some legitimate environmental concerns related to overall industry oil and gas operations, the Company considers that a brief discussion related to Stampede's environmental policies is warranted.

Regulatory obligations related to oil and gas wellsite operations are set out in the Alberta Oil and Gas Conservation Act and the Environmental Protection and Enhancement Act. The Alberta Energy and Utilities Board is responsible for enforcing and ensuring environmental protection concerning oil and gas operations.

Stampede has a high degree of concern regarding any possible effects from its exploration and development drilling operations including but not limited to community health and safety, soil disturbances, wastes removal and continued air quality. Measures are always in place to be able to anticipate, identify, address, prevent and/or control possible adverse environmental effects that may pertain to any Company operations.

Stampede adheres to industry-accepted operating practices and complies with all related governmental regulations. Industry-wide assessments demonstrate an extremely low possibility of any event which might produce a negative impact on the environment, provided regulatory and industry policies are followed. All Company operations have contingency plans to deal with any such unlikely event.

As part of its efforts to ensure that the Company's operations address environmental issues satisfactorily, Stampede has utilized a sumplex mud system in its Turner Valley operations. This system incorporates a centrifuge facility that provides for the separation of drill cuttings from the mud system and the subsequent continual recycling of the water/mud column in the well bore.

Testing operations for a sour gas well dictate the employment of mobile monitoring units to ensure against the leakage of H₂S and the adequate dispersion of flaring emissions in accordance with EUB approved standards.

A new incinerated flaring process, which appears promising, is currently being monitored. In an area where there may be access to adequate pipeline facilities, in-line flaring procedures will also be given serious consideration. Stampede will install down hole safety shut-off valves in sour gas wells completed in areas having nearby residences.

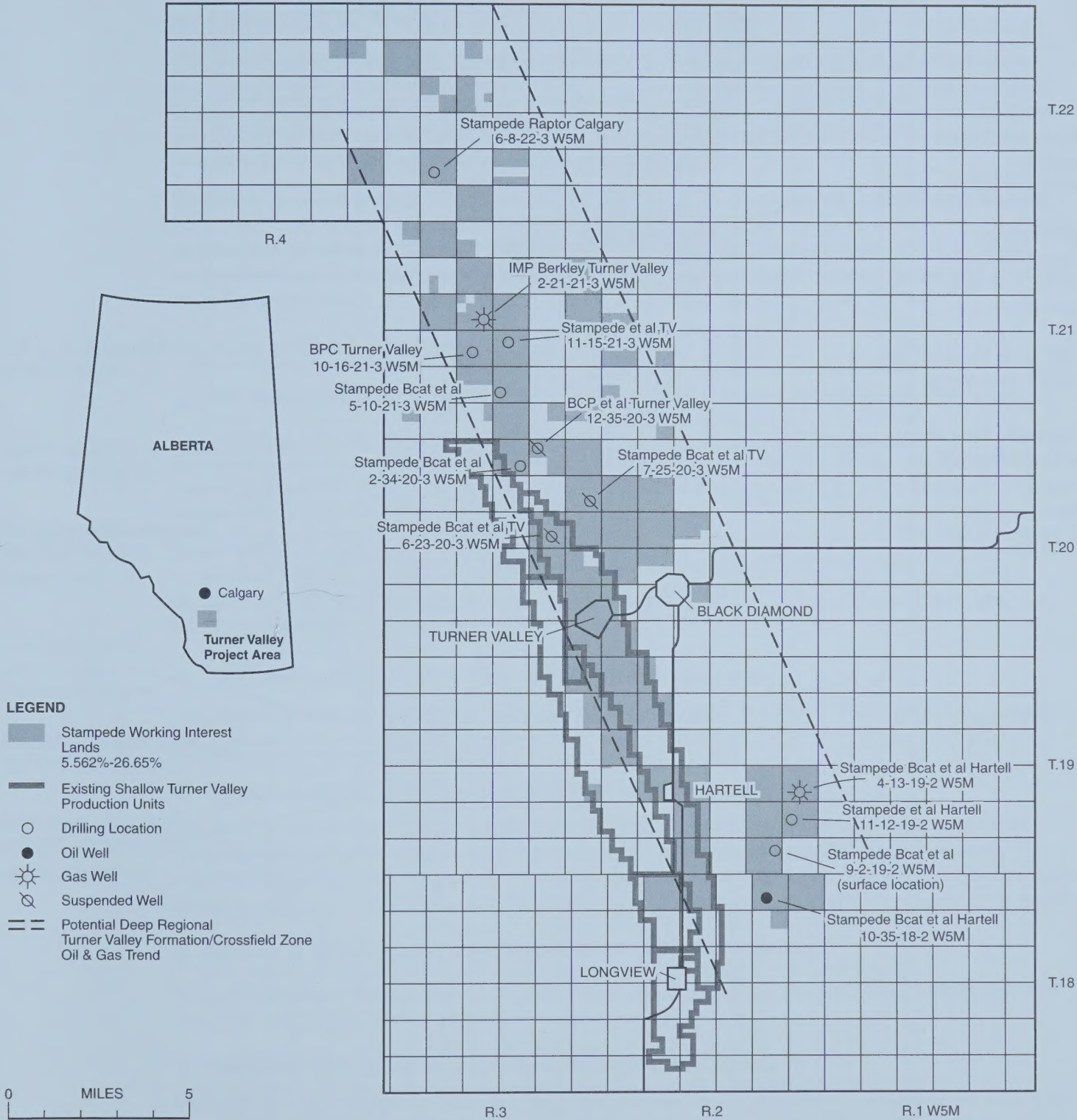
Stampede will communicate on a continuing basis with all possibly affected local communities related to its operations.

B. NORTH TURNER VALLEY PROJECT

The main target horizon in the North Turner Valley project is interpreted to be a major deep continuous anticlinal structure, indicated to contain a major oil pool in the Regional Mississippian Turner Valley formation at a depth of approximately 3048 m (10,000 ft.). From November 29, 1993 to March 4, 1995 Stampede and partners conducted a preliminary deep drilling exploration program with regard to this interpreted major **37 km (23 miles)** long deep anticlinal structure that generally underlies and is adjacent to the current/historic Turner Valley field and associated overthrust fault blocks.

The results of Stampede's preliminary exploration evaluation drilling program necessitated an extensive follow-up data research program along with interpretive fine-tuning. Stampede then arranged to have two other companies join in the project with the drilling of two follow-up wells. The results of these two wells, along with the results of the previous Stampede wells, have substantiated the related overall structural and hydrocarbon interpretation. The IMP Berkley Turner Valley 2-21-21-3 W5M well has established an indicated gas/oil contact at approximately -1798 m subsea while the suspended

TURNER VALLEY OIL AND GAS PROJECT



Stampede Bcat et al TV 6-23-20-3 W5M well has identified an oil/water contact at approximately -1920 m subsea. This deep Regional Mississippian Turner Valley oil pool is indicated to have an approximate **122 m (400 ft.)** oil leg.

The subject anticlinal structural feature is not subject to disruptive and abrupt geological changes as experienced in the more shallow, heavily faulted and fractured overthrust zones. The lateral continuity of structure in this deeper horizon is expected and is projected geologically. The amount of pertinent good quality seismic control coupled with very good strategically located subsurface data supports and endorses the determined overall structural interpretation.

Recoverable reserves of 39.6° gravity oil are indicated to be in **excess of 500 million barrels**. Recoverable gas reserves are interpreted to be in excess of 3 TCF. Wells are expected to be capable of **production rates of 1,000 to 2,000 barrels of oil per day** and **gas wells** completed in the deeper Devonian Crossfield reservoir to the northeast, should be capable of in excess of **10 mmcf per day** production rates.

C. OIL/GAS WELLS (CURRENT AND FUTURE)

1. IMP Berkley Turner Valley 2-21-21-3 W5M (now 8-21-21-3 W5M) (18.55% interest)

Completed as a Regional Turner Valley gas well but to date no attempt has been made by the previous operator to place the well on production (see Report to Shareholders). The Farmor companies have initiated proceedings to take over operatorship. Technically from January 12, 1999 Stampede's interest in this well and the related spacing unit is 18.585%.

The Company's interpretation of the deep Regional Turner Valley reservoir demonstrates potential for in excess of 500 million barrels of recoverable oil (39.6°) with 20% primary and 30% secondary recovery factors. The indicated gas cap for this formation could be in excess of one trillion cubic feet (TCF) of recoverable gas reserves.

2. BPC Turner Valley 10-16-21-3 W5M (9.298% interest)

This follow-up well to the 2-21 discovery well has been licensed. Drilling is now expected to commence this summer.

3. Stampede et al TV 11-15-21-3 W5M (26.65% interest)

The surface location for this well in 15-15-21-3 W5M is approximately one mile due west of the 2-21 discovery well and the planned offset 10-16 well surface location. An EUB public hearing scheduled for June 1st of this year to consider issuance of the drilling license for this well has now been postponed to July 6, 1999. It is anticipated that this well could commence drilling operations in August.

4. BPC et al Turner Valley 12-35-20-3 W5M (17.00% interest)

This well has been classified as a suspended Cretaceous Brown Sand gas well. The operator indicated that it intended to whipstock the well to another location.

5. Stampede Bcat et al TV 7-25-20-3 W5M (28.30% interest)

This well was deepened in the fall of last year, from the previously suspended total depth in the top of the Regional Turner Valley formation down into and through the base of the underlying Devonian Crossfield member. A maximum thickness of 79.7 meters (261 feet) of Crossfield formation was encountered at this location with approximately 69 meters (221 feet) of net reservoir. The upper 13.66 meters (45 feet) which is indicated to be gas bearing will be production tested this year.

RESERVES (as at April 12, 1999)

The total oil and gas assets of Stampede, tabulated from in-house generated and third party determined figures, are summarized as set out below:

Gas Status	Gross (BCF)		Net (BCF)	
	Proven	Proven & Probable	Proven	Proven & Probable
Producing				
Shut-in	92	2,468	7.45	460.75
Total	92	2,468	7.45	460.75

Oil Status	Gross (MSTB)		Net (MSTB)	
	Proven	Proven & Probable	Proven	Proven & Probable
Producing	—	—	—	—
Shut-in		16,167	120	2,672
Total		16,167	120	2,672

BCF = Billion cubic feet of gas

MSTB = One thousand standard tank barrels

Proven Reserves are those reserves estimated as recoverable under current technology and existing economic conditions, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data, including the reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir.

Proven and Probable Reserves are those reserves which analysis of drilling, geological, geophysical and engineering data does not demonstrate to be proved under current technology and existing economic conditions, but where such analysis suggests the likelihood of their existence and future recovery. Probable additional reserves to be obtained by the application of enhanced recovery processes will be the increased recovery over and above that estimated in the proved category which can be realistically estimated for the pool on the basis of enhanced recovery processes which can be reasonably expected to be instituted in the future. All probable reserve volumes and associated values have not been adjusted for engineering or geological risk.

PETROLEUM AND NATURAL GAS LEASE INTERESTS

Alberta

Cessford (Central Alberta) — 7.35% net working interest

Reserves	Oil	Status	Shut-in
Reservoir Zone	Glaucinite	Gross Acreage	320 acres
No. of Wells	1	Net Acreage	23.5 acres

Kavanagh (Central Alberta) — 25% net working interest

Reserves	Oil	Status	Shut-in
Zone	Ellerslie-Basal Cretaceous	Gross Acreage	800 acres
No. of Wells	1	Net Acreage	200 acres BPO 201.20 acres APO

Turner Valley (Southwestern Alberta) — 5.562-26.65% net working interest

Reserves	Oil and Gas	Status	Indicated shut-in production
Reservoir Zones	Overthrust and Regional Mississippian and Devonian	Gross Acreage	36,978.21 acres
No. of Wells	4	Net Acreage	4,564.57 acres BPO 4,452.14 acres APO

British Columbia

Grassy (Northeastern British Columbia) — 15% net working interest

Reserves	Gas	Status	Suspended
Reservoir Zone	Mississippian Debolt	Gross Acreage	697.5 acres
No. of Wells	2	Net Acreage	104.6 acres (BPO & APO)

Petroleum and Natural Gas Acreage	Total Gross	40,705.90 acres
	Total Net	4,877.94 acres APO

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McCallum, Stitt Associates

CHARTERED ACCOUNTANTS

Associates in the practice of Public Accounting
GORDON H. STITT *
JAMES MCCALLUM *
* Denotes Professional Corporation

AUDITORS' REPORT

To the Shareholders of Stampede Oils Inc.

I have audited the balance sheet of Stampede Oils Inc. as at January 31, 1999 and 1998 and the statements of loss and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at January 31, 1999 and 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

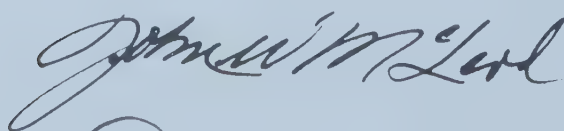
June 9, 1999
Calgary


JAMES MCCALLUM
Chartered Accountant

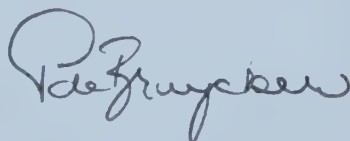
Balance Sheet

	January 31	
	1999	1998
ASSETS		
Current assets:		
Cash	\$ 34,118	\$ 180,374
Joint venture and other receivables	257,648	39,705
Joint venture receivables		
— related party (Note 3)	281,664	281,101
Goods and services tax recoverable	116,003	12,768
Marketable securities at estimated fair market value	39,397	39,397
	728,830	553,345
Due from related parties (Note 4)	786,095	380,586
Investment in a related party (Note 5)	1,875,642	2,561,496
Capital assets, at cost (Note 6)	9,353,679	8,657,164
Less: Accumulated amortization	5,395,769	5,395,525
	3,957,910	3,261,639
	\$ 7,348,477	\$ 6,757,066
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank loan (Note 7)	\$ 450,000	\$ 200,000
Joint venture and other payables	1,204,210	304,900
Expenditures to be incurred on behalf of investors	103,166	400,000
Due to related parties	190,230	444,754
Current portion of long term debt (Note 8)	195,801	528,000
	2,143,407	1,877,654
Long term debt	—	95,800
Shareholders' equity:		
Share capital (Note 9)	21,880,974	19,911,769
Deficit	(16,675,904)	(15,128,157)
	5,205,070	4,783,612
	\$ 7,348,477	\$ 6,757,066
Going Concern Assumption (Note 1)		

Approved by the Board:



Director



Director

Statement of Loss and Deficit

	Year ended January 31	
	1999	1998
Revenue:		
Oil and gas revenue, net of royalties	\$ 4,864	\$ 692
Interest income	23,765	17,590
	28,629	18,282
Expenditures:		
Production costs	51,734	23,167
Audit and legal fees	13,950	12,051
General, administrative and operating costs	189,472	204,385
Interest charges	48,831	72,538
Listing, trustee and agency fees	18,845	11,677
Amortization	244	366
Reduction in investment in a related party	1,253,300	325,458
Write-down to reflect impairment of marketable securities	—	27,200
	1,576,376	676,842
Loss for the year	(1,547,747)	(658,560)
Deficit, beginning of year	(15,128,157)	(14,469,597)
Deficit, end of year	\$(16,675,904)	\$(15,128,157)
Loss per share	\$ (0.035)	\$ (0.017)
Going concern assumption (Note 1)		

Statement of Changes in Financial Position

	Year ended January 31	
	1999	1998
Operations: Loss for the year	\$(1,547,747)	\$ (658,560)
Items not affecting current cash flow:		
Amortization	244	366
Write-down to reflect impairment of marketable securities	—	27,200
Reduction in investment in a related party (Note 5)	1,253,300	325,458
	(294,203)	(305,536)
Decrease (increase) in non-cash working capital	(305,988)	1,275,100
Investment:		
Due from related parties (Note 4)	(405,509)	(14,459)
Oil and gas properties – net proceeds (additions)	(696,515)	410,927
Investment in a related party (Note 5)	(2,131,446)	(1,863,315)
Proceeds on sale of shares	1,564,000	—
	(1,669,470)	(1,466,847)
Financing:		
Long term debt repayment	(95,800)	(425,631)
Increase in share capital (Note 9)	1,969,205	876,500
	1,873,405	450,869
Decrease in cash	(396,256)	(46,414)
Cash (deficiency), beginning of year	(19,626)	26,788
Cash (deficiency), end of year	\$ (415,882)	\$ (19,626)

Note: Cash includes bank loans. Going concern assumption (Note 1)

Notes to the Financial Statements

January 31, 1999

1. GOING CONCERN ASSUMPTION

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern" which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

As at January 31, 1999 there is a working capital deficiency excluding related parties of \$1,506,011 and the accumulated deficit amounts to \$16,675,660.

The Company's continued existence as a going concern is therefore dependent on the continued ability of management to raise further equity capital to successfully develop the Turner Valley Oil and Gas development.

Because management believes that any possible adverse conditions which may arise will be overcome, these financial statements do not reflect adjustments which would be necessary if the going concern assumption were not appropriate.

If the "going concern" assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Oil and gas properties and production equipment*

The Company follows the full cost method of accounting for oil and gas properties as set out in the Canadian Institute of Chartered Accountants' accounting guidelines. All of the Company's properties are in Canada and accordingly, there is one cost centre. Capitalized costs include land acquisition, geological and geophysical expenses and costs of drilling both productive and non-productive wells. Sales of oil and gas properties are recorded as reductions of capitalized costs with no gain or loss being recorded in income, except on significant dispositions. Capitalized costs are depleted by the unit-of-production method based on estimated proven reserves of oil and gas with products being converted to a common unit of measure based on energy content. For purposes of the ceiling test, future net revenues are undiscounted and reduced by future general and administrative expenses and financing costs.

(b) *Mining properties*

Costs of acquisition (including lease and royalty costs) and development of mining properties (including allocated administrative costs) are capitalized on an area of interest basis. On the project being fully developed, amortization of these costs will be on a unit of production basis, based on estimated proven reserves of minerals in the area should such reserves be found. No amortization has been recorded to date. If an area of interest is abandoned the costs related thereto are charged to income in the year of abandonment.

(c) *Office equipment*

Depreciation of office equipment is recorded at a rate of 20% on a straight line basis.

(d) *Flow-through Common shares*

The Company credits the full amount of the proceeds of flow-through shares (which transfers the deductibility of exploration expenses to the investor) to share capital, when such expenditures have been incurred.

(e) *Financial instruments*

Financial instruments of the Company include cash, accounts receivable, substantially all current liabilities and long term debt. Unless otherwise disclosed, there are no significant differences between the carrying value of these amounts and their estimated fair values.

3. RELATED PARTIES

Though the Company, Bearcat Explorations Ltd., and its subsidiaries, Bearcat Explorations Inc., Highland Glen Explorations Limited, Lumberton Mines Limited and Panda Petroleums Ltd. are related parties in that they have common management, Stampede Oils Inc. has a distinct difference in its board of directors and shareholders make-up relative to the above mentioned companies and is subject to a separate corporate control set up. Oil and gas and mining operations are in joint venture with these companies.

4. DUE FROM RELATED PARTIES AND RELATED PARTY TRANSACTIONS

	January 31	
	1999	1998
Due from Highland Glen Explorations Limited	\$ 64,155	\$ 64,155
Loans, to a director and officer, including interest	270,778	255,450
Due from Lumberton Mines Limited	60,981	60,981
Due from Panda Petroleums Ltd.	390,181	—
	\$ 786,095	\$ 380,586

(a) *Advances to Highland Glen Explorations Limited*

This receivable bears no interest and has no specific terms of repayment. Ultimate failure to repay these advances will result in 350,000 Class A shares of Stampede Oils Inc. reverting back to the Company as full settlement.

(b) *Loans to a Director and Officer*

The Company advanced these funds to its President John W. McLeod to provide for and ensure his participation in the Company's Rights and Warrants offering. These secured loans bear interest at 6% per annum and as amended by director's minutes become due and payable June 14, 2000.

(c) *Advances to Lumberton Mines Limited*

These advances bear no interest and have no specific terms of repayment. By way of a Letter Agreement dated October 15, 1991, Lumberton Mines Limited acquired the Company's working interest in the Grassy North P & NG lease by assuming the obligations and expenditures incurred by the Company with respect to that drilling program. These advances represent the balance of such expenditures not yet reimbursed.

(d) *Advances to Panda Petroleums Ltd.*

These advances bear no interest and have no specific terms of repayment. These advances arise from Panda Petroleums Ltd's. participation in the Turner Valley project.

5. INVESTMENT IN BEARCAT EXPLORATIONS LTD.

	January 31	
	1999	1998
Investment, at cost less impairment	\$ 1,875,642	\$ 2,561,496

The investment consists of 7,809,073 (1998 - 7,652,779) common shares representing a 12.6% equity interest in Bearcat Explorations Ltd. (1998 - \$13.6%).

The assets and operations of Bearcat Explorations Ltd. consists substantially of interests in the same oil and gas and mining properties in which this Company also holds interests. In the current year, the carrying value of this investment was reduced as follows:

	January 31	
	1999	1998
Write-down of investment to estimated market value	\$ 1,078,705	\$ —
Equity reduction of investment	174,595	84,792
Loss on sale of shares	—	240,666
	\$ 1,253,300	\$ 325,458

6. CAPITAL ASSETS

(a) Summary

	Cost	Accumulated Amortization	Net Book Value January 31	
			1999	1998
Oil and gas assets	\$9,348,903	\$5,391,970	\$3,956,933	\$3,260,418
Office equipment	4,776	3,799	977	1,221
	\$9,353,679	\$5,395,769	\$3,957,910	\$3,261,639

(b) Turner Valley Project

To January 31, 1999 and subsequent to year end, the company has participated in seven exploratory wells in the Turner Valley area of Alberta. Testing of one of these wells has determined the discovery of substantial natural gas reserves; however, for accounting purposes, some of these reserves are classified as proved undeveloped pending further testing and drilling of additional wells necessary to validate the overall reserve assumptions and to establish sufficient productivity parameters with which to justify the expenditures required to install producing and gathering facilities.

(c) Ceiling Test

The Company used year end prices for oil and natural gas when calculating the ceiling test.

7. BANK LOAN

This bank loan with the Canadian Western Bank bears interest at prime plus 1% and was repaid on May 28, 1999.

8. LONG TERM DEBT

This debt was fully repaid subsequent to year end with release of all security provided.

9. SHARE CAPITAL

(a) Authorized

- Unlimited number of Class A voting common shares without nominal or par value.
- Unlimited number of Class B non-voting common shares without nominal or par value.
- Preferred convertible shares, Series A, non-voting and limited in number to 1,440,000 shares.

(b) Issued

	January 31, 1999		January 31, 1998	
	Number of Shares	Issuance Cost	Number of Shares	Issuance Cost
Class A Common Voting shares				
Beginning of year	42,154,066	\$19,911,769	36,129,066	\$19,035,269
(a) Private placement financing with a related party.				
Bearcat Explorations Ltd.				
November 12, 1998	1,350,000	270,000	—	—
November 30, 1998	1,675,000	335,000	—	—
February 1997	—	—	1,125,000	225,000
May 1997	—	—	492,466	73,870
August 1997	—	—	2,407,534	378,506
(b) Rights offering dated				
February 28, 1998				
Bearcat Explorations Ltd.	1,525,107	533,787	—	—
Other	214,341	75,020	—	—
Issuance costs	—	(47,312)	—	—
(c) Private placement financing				
Flow through shares, recognized as share capital when expenditures incurred	—	296,834	2,000,000	—
- November 12, 1998	525,000	105,000	—	—
	47,443,514	21,480,098	42,154,066	19,712,645
Funds received from Triax Resource Limited Partnership (Note 9(c))	—	400,876	—	199,124
	47,443,514	\$21,880,974	42,154,066	\$19,911,769

(c) Special Warrants

The Company through an agreement with Triax Resource Limited Partnership dated July 14, 1997 agreed to issue 3,000,000 special warrants at \$0.20 each. Each special warrant can be converted to a common shares without additional payment.

The warrants (and common shares) are flow though share with the Company agreeing to renounce Canadian Exploration expenditures and Canadian Development expenditures. As at January 31, 1999 all funds had been received and expenditures incurred and renounced. However no warrants had been converted to shares.

Subsequent to year end, 1,364,787 warrants had been converted to common shares.

(d) Stock Options

Stock options for the issuance of 3,100,000 Class A common voting shares at \$0.40 have been granted to directors and officers of the Company. These stock options expire as follows:

April 9, 2002	1,800,000
September 9, 2002	250,000
May 27, 2003	900,000

10. SEGMENTED INFORMATION

The Company operates totally within Canada, in the oil and gas industry and the mining industry.

11. INCOME TAX

The Company has accumulated non-capital losses for income tax purposes of approximately \$1,734,000 of which no benefit has been recorded in these financial statements. These losses expire as follows:

2000	56,000
2001	225,000
2002	114,000
2003	365,000
2004	324,000
2005	345,000
2006	305,000

12. SUBSEQUENT EVENTS

The Company, with another related joint venture party negotiated bridging loan financing with the following terms:

- The Company's share of the bridging loans: \$438,000.00
- Bears interest at 1% per month and is repayable no later than May 27, 2000 with certain Turner Valley working interests being provided as security.
- The principal may be repaid at any time, without penalty.
- Additional consideration in the form of related party shares is provided for in these loans.

13. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.



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